Protecting Information Through Firewalls & Organizational Conflict of Interest Implementation

Agenda

- Changing Environment
- Firewalls
- Organizational Conflicts of Interest (OCI)
- Responsibilities
- Summary

Changing Environment

- **Defense Industry Developments Have Impacted the Ability of Industry and Government to Protect Information**
  - **Industry Consolidation**
    - **Fewer Prime Contractors Competing for Major Systems**

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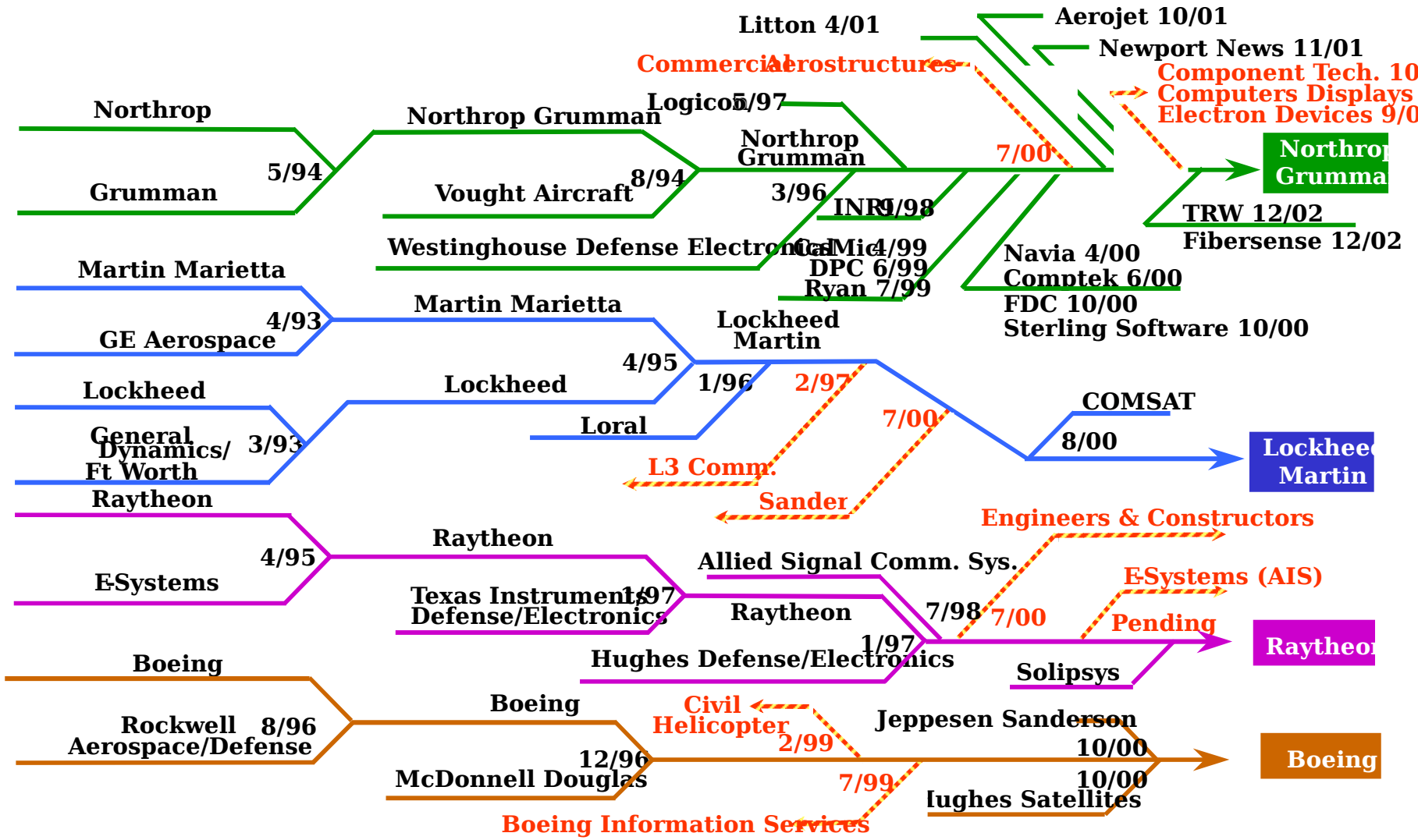
Consolidation at Tier I Level (As of July '03



(*) Announced as Discontinued Busi

Changing Environment (cont.)

- **Defense Industry Developments Have Impacted the Ability of Industry and Government to Protect Information**
  - **Industry Consolidation**
    - **Fewer Prime Contractors Competing for Major Systems**
  - **Increased Teaming Between Competitors in Order to Meet USG Requirements**
  - **Concurrent Prime & Subcontractor Roles Between Competitors**
  - **Company Business Units Acting as Merchant Suppliers**
    - **Sometimes to Sister Divisions and Competitors of Sister Divisions for the Same Acquisition**

Changing Environment (cont.)

- **Changes in the Business Environment Also Have an Impact**
  - **Management of Protected Data Through Various Electronic Mediums**
    - **Easy to Copy, Send, and Widely Distribute**
  - **Personnel Turnover on Programs**
    - **Increased Demand on Managing People**
  - **Increased Competitive Pressures to Win Fewer, but Longer-Term Programs**

Changing Environment (cont.)

- **Recent Incidents Have Led to:**
  - **Customers Expressing Concerns Over Ability of Companies to Protect Proprietary and Competition Sensitive Information**
    - **Unintentional Disclosures**
    - **Improper Use**
  - **Increased Emphasis on Corporate Governance and Procurement Integrity Requirements**
    - **Congress Currently Deliberating Numerous Rule Changes**
  - **Some Customers Revising and Implementing More Stringent OCI Policies**

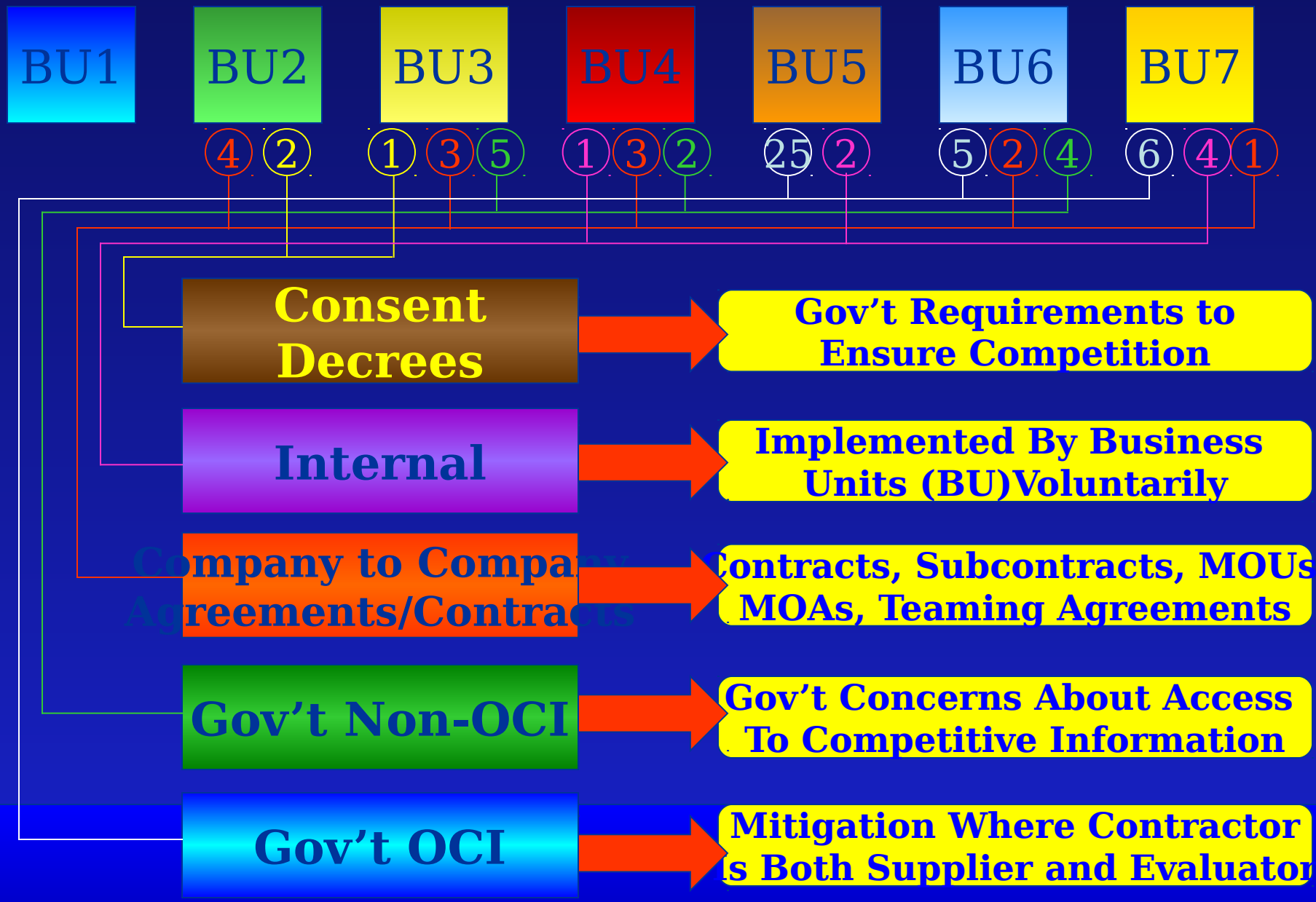
Firewall

A system of processes, agreements, and other controls (electronic, written and/or physical) established to restrict access, to protect certain information, and to ensure that only authorized personnel have access to the restricted information

Firewall Purpose

- **To Ensure Proprietary or Competition Sensitive Information Developed By Another Company or Entrusted to the Company Is Not Used to:**
  - **Realize an Unfair Competitive Advantage**
  - **Unlawfully Impair Competition**
  - **Circumvent Specific Obligations Undertaken by the Company**

Concept is Simple
Implementation Complexities Significant!


BU1
BU2
BU3
BU4
BU5
BU6
BU7
4 2
1 3 5
1 3 2
25 2
5 2 4
6 4 1
Consent Decrees
Gov't Requirements to Ensure Competition
Internal
Implemented By Business Units (BU)Voluntarily
Company to Company Agreements/Contracts
Contracts, Subcontracts, MOUs, MOAs, Teaming Agreements
Gov't Non-OCI
Gov't Concerns About Access To Competitive Information
Gov't OCI
Mitigation Where Contractor Is Both Supplier and Evaluator

Firewall Attributes

- **Firewalls Are Not Standardized**
  - **One size does not fit all**
- **Can Be Executed Through a Variety of Requirements**
  - **Physical Segregation of People and Data**
  - **Employee Non-disclosure Agreements**
  - **Assignment Restrictions on Employees**
  - **IT System Implementation**
- **Implementation May Include One Or More of the Above Requirements**

Organizational Conflict of Interest

- **Majority of firewalls are Created Under OCI Requirements**
  - **Established Under Contractual OCI Mitigation Plans**

- **FAR 9.5 - An OCI Exists When the Nature of the Work to be Performed Under Proposed Government Contract May:**
  - **Result in an Unfair Competitive Advantage for the Contractor; or**
  - **Impair the Contractor's Objectivity in Performing the Contract Work**

Where OCIs Are More Likely to Occur

- Management Support Services
- Consultant or Other Professional Services
- Contractor Performance of or Assistance in Technical Evaluations
- Systems Engineering and Technical Assistance (SETA) Work Performed by a Contractor That May Have Some Contractual Responsibility for Development or Production

Common Elements OCI Mitigation Plans

- Non-Disclosure Agreements
- Controlled Access to Sensitive Information
- Establishment of an Employee OCI Awareness and Compliance Program
- Physical Separation of Employees Working on OCI Effort
- Organizational Separation
- Limitation on Personnel Transfers

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QUANTECH
BAE SYSTEMS
BOEING
AAI
DEPARTMENT OF ENERGY
NORTHROP GRUMMAN
Homeland Security
CCR
DEPARTMENT OF THE ARMY
Corporate Learning Solutions
DCMA
United Technologies
CAL POLY
DEPARTMENT OF DEFENSE
DEFENSE CONTRACT AUDIT AGENCY
SUN CAPITAL GROUP
AEROJET
GENERAL ATOMICS
AND AFFILIATED COMPANIES
We All Have A Personal Responsibility In This Changing Environment
ESI
INTERNATIONAL
Raytheon
SupplyCore
Kodak
DEPARTMENT OF THE AIR FORCE
Bell Helicopter
Honeywell
DEPARTMENT OF THE NAVY
VILLANOVA UNIVERSITY
DCAA
GENERAL DYNAMICS
Strength On Your Side
PRAXAIR
LOCKHEED MARTIN
We never forget who we're working for
UNITED STATES MARINE CORPS
FCE
BENEFITS
NASA
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
LRN
GSA
L3
communications
ITT Industries
IRS
PRICEWATERHOUSECOOPERS
SAIC
An Employee-Owned Company

Protection of Proprietary, Confidential and Source Selection Information

- Contractors Must Also Need to:
  - Adopt Policies, Procedures and Processes That Address the Challenges of Technology and the Changed Environment
  - Mark and Protect Proprietary and Competition Sensitive Data, Regardless of Medium
  - Conduct Appropriate Training to Address All of These Requirements and to Minimize Risk of Inadvertent Disclosure
  - Enter Into Non-Disclosure and Licensing Agreements, Where Appropriate

Protection of Proprietary, Confidential and Source Selection Information

- Industry Needs to:
  - Reconcile the Multiplicity of Legacy Systems and Rationalize Company Processes
  - Do a Better Job of Applying Appropriate Markings and Legends on Every Page of a Proprietary Document
    - Don’t Apply Protective Legends When Not Appropriate
  - Administer Information Received Under Non-Disclosure Agreements and Disseminate Internally on a Need-To-Know Basis Only
- Government Agencies Need to:
  - Recognize Appropriate Markings and Legends
    - Some Agencies Only Recognize FAR Legends
    - Others Will Protect Proprietary/Trade Secret Legends

Why Compliance is Important

- **Intense Focus on Corporate Governance – Sarbanes Oxley**
- **Customers Must Have Confidence in Contractors' Ability to Manage Proprietary Information and Competition Sensitive Information**
- **We All Must Ensure "*Integrity*" in the Procurement Process**
- **Impact of Non-Compliance can be**

ETHICS MUST TRUMP OPPORTUNITY

"ALWAYS"